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SOVIET UNION - EASTERN EUROPE

This publication is prepared for regional specialists in the Washington community by the USSR - Eastern Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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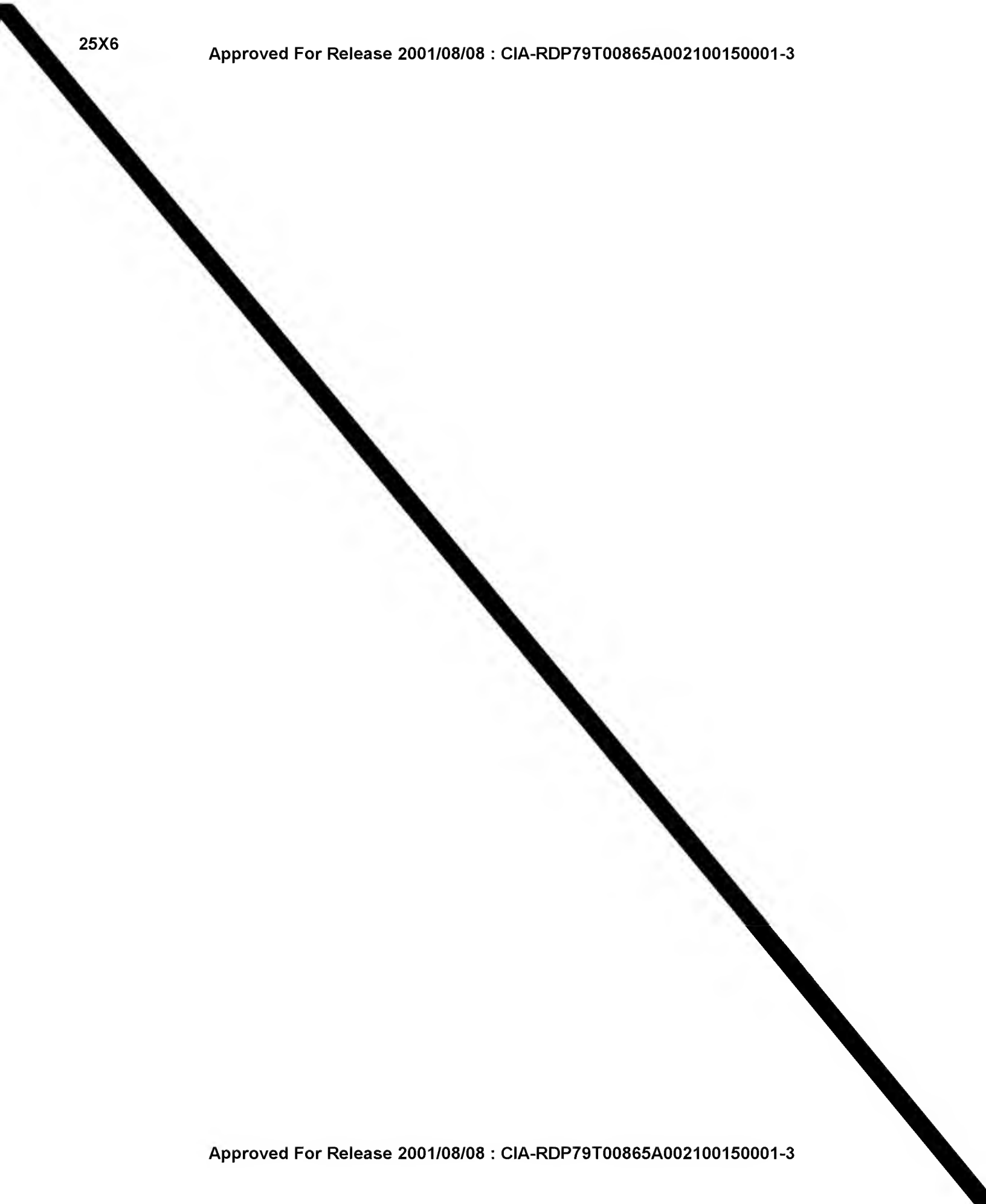

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Poland: "Cheap, But There Isn't Any"

According to the US embassy, Warsaw appears to be following the precepts of Adam Smith instead of Karl Marx as it tries to convince the Polish people that price hikes would benefit both the consumer and the national economy. Although food prices have not been specifically mentioned, the average Pole will conclude that prices on basic food items--which have been held stable for more than five years--will soon go up.

On Monday, a popular Warsaw daily printed an article entitled "Cheap, but There Isn't Any," that implicitly argued that supply and demand should become the major forces in setting prices. The author candidly and without the use of heavy economic jargon suggests that the current price system deprives consumers of influence in the selection of goods, thereby creating shortages and long lines in front of stores.

The author comments that many consumer items whose prices are frozen have disappeared from the market because manufacturers, who lose money producing them, turn out only the minimum required by the plan. Real wages, she asserts, will continue to increase and prices should not be an untouchable "taboo," but an instrument to spur production in the direction that will best satisfy the needs of society.

The article does not answer questions about how future prices will be set and fails to point out that price increases will not quickly remedy the most irritating shortages, particularly of meat and milk products. (CONFIDENTIAL)

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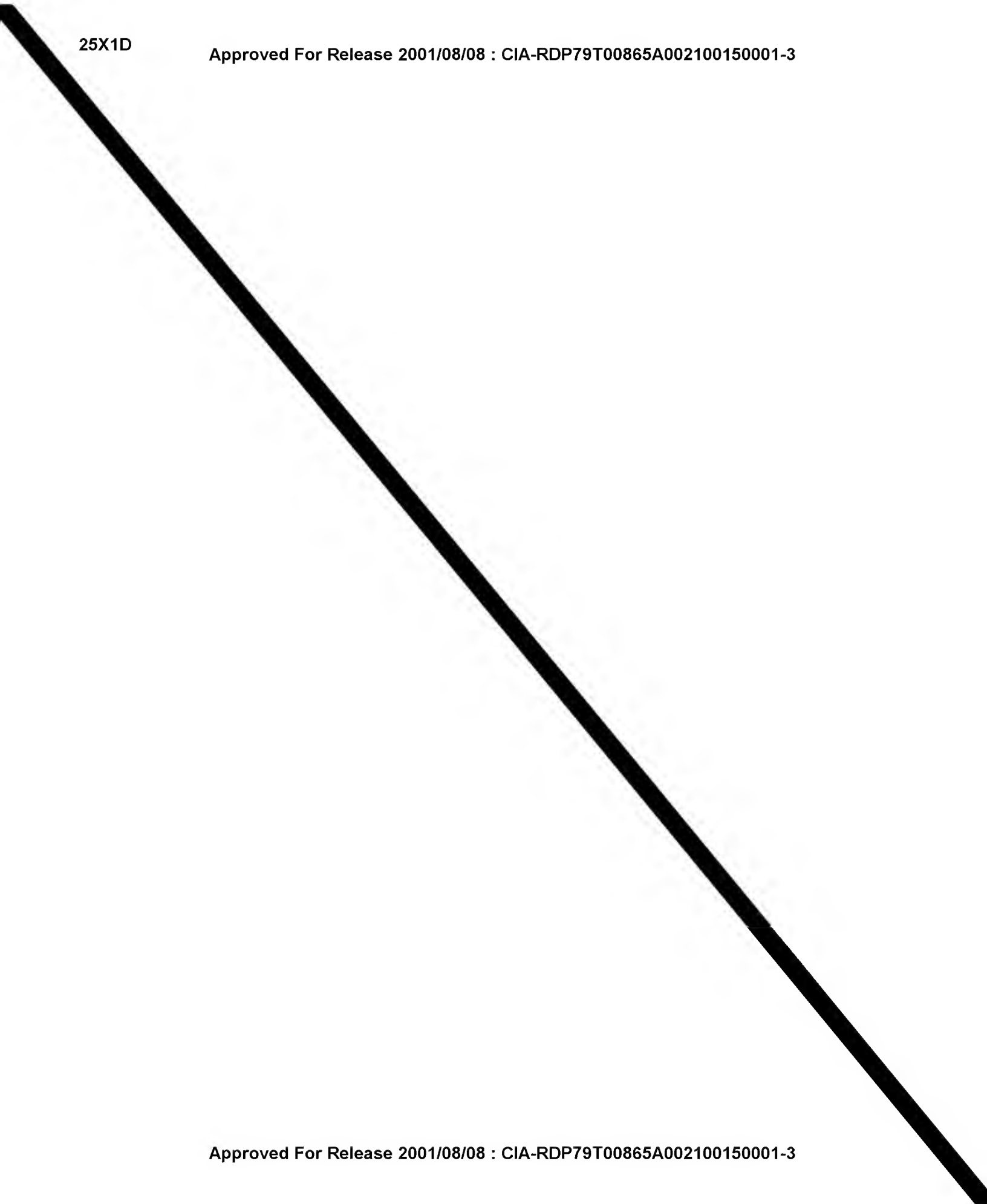

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New First Deputy to Ponomarev Confirmed

Vadim Zagladin has been publicly identified for the first time as first deputy chief of the Central Committee's International Department. *Pravda* of November 4 carried the story.

The department, which handles CPSU relations with non-ruling Communist Parties, is headed by Boris Ponomarev, a CPSU Secretary and a non-voting member of the Politburo. Zagladin's promotion was almost certainly approved at the party's highest levels.

Zagladin has been described as a talented and intelligent man who works from 12 to 18 hours a day. He also has a flair for public relations. Zagladin started his career as a journalist and, according to his own admission, was able to make the "good contacts" with higher authorities that enabled his career to advance. (SECRET NOFORN/NO-CONTRACT)

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